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Held at Headquarters, New York, on Friday, 6 October 2000, at 10 a.m.

Chairman: Mr. Park Hae-yun (Vice-Chairman) ..... (Republic of Korea)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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In the absence of Mr. Rosenthal (Guatemala), Mr. Park Hae-yun (Republic of Korea), Vice-Chairman, took the Chair.

The meeting was called to order at 10.05 a.m.

Agenda item 122: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/55/11)

1. **Mr. Kuindwa** (Kenya) said that, in the light of the increasing demands placed on the United Nations and the new challenges facing it, the Organization must have a firm financial and operational base. The review of the scale of assessments was therefore timely. It was to be hoped that during the current session of the General Assembly the Committee could elaborate a realistic formula agreeable to all Member States. The principle of capacity to pay should remain the fundamental criterion for the apportionment of the Organization's expenses, and countries should be assessed at rates that did not undermine their critical national policy objectives. Furthermore, the scale should reflect the economic realities faced by Member States, including the impact of the debt burden, particularly on the countries of sub-Saharan Africa. In that connection, his delegation believed that there was a need to reconsider the requests for exemption from the application of Article 19 of the Charter of the United Nations received from developing countries which were experiencing genuine economic difficulties.

2. **Mr. Toscano** (Ecuador) said that his delegation wished to associate itself with the statements made at the Committee's 5th meeting by the representative of Nigeria on behalf of the Group of 77 and China, and by the representative of Colombia, on behalf of the Rio Group. In keeping with the concept of shared responsibility in promoting economic and social development, it was understood that the scarce resources of the developing countries should be supplemented by the huge resources at the disposal of the developed nations. It was therefore paradoxical that, at a time when globalization was further exaggerating the disparities between States, the developed countries should be seeking to reduce their contributions to the United Nations by passing on to the developing countries the burden that they should assume in accordance with their ethical and legal obligations to the Organization.

3. The difficult financial situation of the United Nations was due not to the scale methodology applied or to the need to reduce the ceiling, but to the failure by Member States to pay their assessed contributions on time, in full and without conditions. His delegation would, however, be prepared to consider reform of the scale, provided that any adjustments did not further increase the injustices of the current international economic situation. He emphasized the need to use data on economic performance relating to the most recent years in order to reflect capacity to pay accurately. No increase in Ecuador's own assessed contributions would be accepted because of the country's difficult economic situation and the risk of a cascade effect as the specialized agencies adjusted the contributions of their member States in line with the new regular budget scale. His delegation would nevertheless participate actively and constructively in the negotiations on the new scale.

4. **Mr. Pradhan** (Bhutan) said that his delegation wished to associate itself with the statement made by the representative of Nigeria on behalf of the Group of 77 and China. There was agreement among Member States that the United Nations needed a sound and sustainable financial base in order to fulfil the goals of the Charter and to implement the decisions of its Members. There was also agreement that the scale of assessments for the apportionment of the expenses of the Organization must be fair, transparent and stable, with capacity to pay as its fundamental criterion. However, translating that agreement into a new scale methodology would be a difficult task.

5. His delegation believed that the debt burden adjustment and the low per capita income adjustment should be retained and that the gradient of the latter adjustment should remain at 80 per cent. It also favoured retaining a maximum assessment rate of 0.01 per cent for the least developed countries and a floor of 0.001 per cent, although that rate was a distortion with respect to a number of countries, including Bhutan. The ceiling should not be such as seriously to obscure the relation between a nation's contributions and its capacity to pay. Any revision of the ceiling should not result in developing countries being burdened with assessment rates that exceeded their capacity to pay. When converting local currency data to United States dollars, market exchange rates should be used except where that caused excessive fluctuations or distortions in the income of Member States, when price-adjusted

rates of exchange should be used. His delegation supported the retention of the six-year statistical base period in order to lessen the effects of fluctuations in the incomes of Member States.

6. **Mr. Šerkšnys** (Lithuania) said that his delegation endorsed the statement made by the representative of France on behalf of the European Union at the Committee's 5th meeting. He expressed the hope that the negotiations on the scale of assessments would proceed openly and constructively and that the Committee would be able to adopt a new scale by consensus. The new scale should be simple, equitable and transparent. The guiding principle should continue to be capacity to pay. In that connection, his delegation advocated the use of the shortest possible statistical base period so as to reflect the current economic performance of countries more accurately. It recognized, however, that there was also a need for reliable statistical data and that the use of a longer base period would smooth fluctuations in gross national product. It therefore believed that the retention of the current base period merited careful consideration.

7. The low per capita income adjustment was an important means of providing relief to countries whose economic performance was below the world average. The threshold of the adjustment should remain at its current level. While his delegation favoured maintaining the gradient at 80 per cent, it would consider a further reduction. The proposals for the establishment of a sliding gradient or a two-tiered gradient that would differentiate between large and small- or medium-sized economies warranted close scrutiny.

8. **Mr. Salamat** (Islamic Republic of Iran), fully supported the statement made by the representative of Nigeria on behalf of the Group of 77 and China. Any modifications or additions to the current elements of the scale methodology should be thoughtfully and carefully designed and should be negotiated transparently in order to ensure adherence to the fundamental principle of capacity to pay and to develop improvements that would ensure a greater degree of fairness, equity and burden-sharing. The scale should also accurately reflect the ability of countries to contribute to the functioning of the Organization and the common but differentiated responsibilities of Member States.

9. In cases where the market exchange rates (MERs) caused excessive distortions or fluctuations in the income of a Member State, it was essential to use more than just one alternative conversion rate; the rate should include not only price-adjusted rates of exchange (PAREs), but also weighted average rates, which more accurately reflected the gross national product (GNP) of countries that maintained multiple exchange rates. He agreed that the current level of the low per capita income adjustment gradient should be increased in order to incorporate the economic difficulties of developing countries into the calculation of the scales in accordance with the principle of capacity to pay.

10. In regard to debt-burden adjustment, the debt stock approach should continue to be pursued. The proposal regarding annual recalculation should, however, not be pursued as it would cause further instability in the scale system. He agreed that the ceiling should be reviewed, although it should not be so arbitrary as to obscure the relationship between a country's capacity to pay and the rate of assessment applicable to it. Any proposals in that regard should contain provisions to ensure that the burden of payment would be spread among developed countries. In conclusion, he said that all elements of the scale methodology should be viewed as a "package" with a view to achieving a consensus that would take into account the concerns of all Member States. To that end, it was essential to negotiate in good faith and with open minds in a spirit of understanding and accommodation.

11. **Mr. Monayair** (Kuwait) supported the statements made by the representative of Nigeria on behalf of the Group of 77 and China and by the representative of South Africa on behalf of the Movement of Non-Aligned Countries. The elements of the scale methodology should be modified so that they were simpler, more transparent and more appropriate to the differing circumstances of Member States. The financial crisis of the United Nations was unrelated to the current scale methodology but was instead caused by the failure of some Member States to honour their commitments to the budget in full, on time and without conditions. As long as that situation continued, any modification of the current methodology would have a limited effect in supporting the United Nations in the discharge of its functions. In that connection, he said that the political will of Member States to pay their

contributions in full was of major importance and he pointed out that Kuwait fulfilled its financial obligations in full and on time. The methodology employed should also take into account the factors which influenced capacity to pay with a view to achieving greater accuracy, fairness and transparency. The contributions of the developing countries should not be increased as result of reductions in the contributions of the developed countries. Economic factors and other circumstances, including development requirements, should be taken into account in the case of the developing countries with a view to ascertaining their true capacity to pay. In conclusion, he expressed the hope that the Committee would cooperate in an intensive effort in order to achieve the difficult task of adopting a new scale of assessments for the period 2001-2003.

12. **Mr. Suazo** (Honduras) said that his delegation endorsed the statements made at the Committee's 5th meeting by the representative of Nigeria on behalf of the Group of 77 and China, by the representative of Colombia on behalf of the Rio Group and by the representative of South Africa on behalf of the countries of the Non-Aligned Movement. At the recent Millennium Summit, the assembled Heads of State and Government had affirmed that the United Nations had a responsibility to demonstrate leadership in ensuring that the twenty-first century was prosperous for all the world's peoples. In order to achieve that objective, the Organization must have the resources that Member States had undertaken to provide.

13. The United Nations existed in a globalized economy characterized by great challenges and opportunities. The problems of economic inequality and extreme poverty must be taken into account in considering the financial situation of the Organization. His delegation wished to see a scale of assessments that reflected the new realities. The current payments crisis confronting the United Nations must be resolved immediately, without the unilateral imposition of conditions. It was to be hoped that the new scale would reflect the Organization's commitment to improve the situation of the developing countries and would be adopted by consensus during the current session.

14. **Mr. Mungra** (Suriname), speaking on behalf of the countries of the Caribbean Community (CARICOM), endorsed the statements made by the representative of Nigeria on behalf of the Group of 77 and China and by the representative of South Africa on behalf of the countries of the Non-Aligned Movement. In deciding on a scale of assessments for the period 2001-2003, the Committee must take into account both technical elements, including reliability and comparability of data, and political considerations, such as the need for progressivity and maximum and minimum assessment rates so as to produce a scale that was both equitable and transparent and provided the resources necessary for the implementation of the Organization's mandates. For that purpose, the Committee should refer to the guidelines set out in the report of the Preparatory Commission of the United Nations (PC/20), which stated, inter alia, that the permanent financial system of the United Nations should be so constructed as to promote efficient and economical administration and command the confidence of Members; that financial considerations should be given full weight in the formulation of policy, but financial controls ought not to be used to frustrate or hinder the execution of policies duly agreed; and that the desire of the Members to make the United Nations a success should ensure that the financial controls were used for their proper ends. He saw no contradiction between the need for efficient and economical administration and the desire to make the United Nations a success, since, where programmes failed, the solution might lie not in additional resources, but in fresh approaches. Inspiration might be drawn from the bold and insightful Millennium Declaration.

15. As at 31 January 2000, only 43 Member States, including only 2 permanent members of the Security Council, had paid their regular budget contributions for 2000 in full. Measures to encourage the timely, full and unconditional payment of assessed contributions must include both incentives aimed at creating a sense of accomplishment and sanctions such as to cause genuine shame. Such measures must, however, be accompanied by steps to address the root cause of the problem of non-payment, namely, the erosion of the confidence of Member States in the financial system of the United Nations, of which the scale of assessments was an integral part. There was a need to improve monitoring and evaluation of programme implementation so that stakeholders could better appreciate the benefits of United Nations activities. Accordingly, the Committee must give priority to programme planning. There was also some merit in the proposal to rationalize the budget process by coordinating the length of the

periods of the budget, scales of assessments and medium-term plan.

16. With respect to the scale for 2001-2003, he pointed out that any increase in the threshold of the low per capita income adjustment would inevitably lead to the redistribution of points to some developing countries. There was a need to take into account, in that connection, the special status of the small island developing States, which were more vulnerable than other States above the threshold. Regarding the problem of discontinuity, he emphasized that Member States' assessed contributions represented only a fraction of their national budgets. The CARICOM delegations would, however, be prepared to accept the solution proposed in paragraph 122 of the report of the Committee on Contributions (A/55/11). Lastly, they strongly supported the convening at the earliest opportunity of a seminar on the scale methodology. Such a seminar would foster transparency and encourage timely submission of completed national accounts questionnaires.

17. **Mr. Nguyen Thanh Chau** (Viet Nam) said that his delegation wished to associate itself with the statements made by the representative of Nigeria on behalf of the Group of 77 and China and by the representative of the Philippines on behalf of the Association of South-East Asian Nations (ASEAN). The United Nations could not be reformed or revitalized without the support of adequate financial resources and he therefore urged all Member States to fulfil their obligations to pay their assessed contributions in full, on time and without conditions. Although none of the 12 scale options proposed was readily accepted by all Member States, he nevertheless believed that it was possible to arrive at a commonly agreed formula in a spirit of mutual understanding and accommodation.

18. The principle of capacity to pay should be maintained as the basic criterion in the formulation of the scale of assessments and the notable global changes which had taken place should be taken into consideration. In that connection, he stressed the view that the low per capita income adjustment should constitute an integral part of the new scale and that elements such as the statistical base period and debt-burden adjustment should be included. His delegation would participate constructively in the negotiations and would give serious consideration to all proposals aimed at resolving the pending issues.

19. **Mr. Choudhary** (Nepal), after aligning himself with the statement made by the representative of Nigeria on behalf of the Group of 77 and China, said that he was pleased to note the overriding concern to ensure adherence to the principles of justice and fairness, which were crucial to the process of apportioning the expenses of the United Nations among its membership. In that connection, the principle of capacity to pay, coupled with the low per capita income adjustment and the debt-burden adjustment, should remain the key consideration. It was also essential to raise the gradient above its current level in order to bring relief to the countries with the poorest economies. Debt-burden adjustment based on the debt stock approach should be taken into account in assessing contributions and, in the interests of stability and predictability, the optimum base period should be six years. Although the concept of a ceiling was not entirely consistent with the principle of capacity to pay, it was imperative to strike a balance between the latter and the need to provide the United Nations with reliable and dispersed sources of funding. Similarly, the special difficulties of the poorest and smallest economies required particular consideration when the floor of the scale of assessments was established.

20. Remarkably, most poor countries had faithfully met their financial obligations in full and largely on time; that was not so in the case of many more prosperous countries. Given the anomaly whereby some Member States in the latter category remained in arrears while those requesting an exemption under Article 19 of the Charter of the United Nations for genuine reasons were dealt with sternly, he wondered whether an improved scale of assessments would guarantee the fulfilment of each Member's obligation to pay its assessed contribution on time and in full. In his view, there was no connection between the scale and the financial crisis of the Organization. Lastly, he said that it was vital to strive for greater consistency and comparability of data, so as not to risk compromising the element of fairness.

21. **Mr. Ko** (Myanmar) said that his delegation associated itself with the statements made by the representative of Nigeria on behalf of the Group of 77 and China and by the representative of the Philippines on behalf of ASEAN. Capacity to pay was the fundamental criterion on which to base the apportionment of the expenses of the Organization and any adjustment in the scale should not result in the

developing countries being assessed at a rate higher than their capacity to pay. The floor should remain at 0.001 per cent and the maximum assessment rate for the least developed countries should not exceed the current level of 0.01 per cent. Any change in the ceiling should not result in an increase in the assessments of the developing countries. The difficult financial situation of the Organization was not linked to the methodology of the scale of assessments but could be resolved if Member States paid their assessed contributions promptly and in full. Open and transparent discussions were essential if a consensus was to be reached on an equitable and fair scale that was acceptable to all Member States.

22. **Mr. Obame** (Gabon) supported the statements made by the representative of Nigeria on behalf of the Group of 77 and China and by the representative of South Africa on behalf of the Movement of Non-Aligned Countries. The burden of the expenses of the United Nations, and therefore its freedom of action, did not rest on just a few Member States. The principle of capacity to pay should be more narrowly defined to take better account of the economic and social realities of each Member State. The statistical basis of the current methodology used to calculate the scale of assessments should therefore be improved in order to obtain reliable, verifiable, comparable and easily accessible data. In addition to GNP, he believed that the human development index and the human well-being indicator should be taken into account in calculating the scale of assessments; that would be more consistent with the purposes of the Charter of the United Nations, in particular Article 55.

23. He stressed the vulnerability of the economies of the developing countries, which was exacerbated by the crushing debt burden and by the impact of uncontrolled globalization. The attempts of those countries to combat poverty, environmental degradation and pandemic disease and to settle that debt, which was in some cases impossible, should also be taken into account in evaluating their true capacity to pay. His country attached great importance to the crucial question of debt, since its development efforts were severely hampered by the fact that almost half of its annual budget was spent on debt repayments.

24. **Mr. Sessi** (Chairman of the Committee on Contributions) said that the dialogue between the Committee on Contributions and the Fifth Committee was extremely valuable for helping the former to carry out its responsibilities. It was clear from the debate that the structure of the current methodology for preparing the scale of assessments was broadly acceptable to Member States, albeit with some adjustments; no one appeared to support a "clean slate" approach, nor had anyone challenged the validity of capacity to pay as the primary principle underlying the scale.

25. Members of the Fifth Committee had expressed support for the main elements of the current methodology, including the use of countries' gross national product (GNP) as a first approximation of their capacity to pay; the floor rate of 0.001 per cent and the least developed countries ceiling of 0.01 per cent; and the low per capita income adjustment, although a variety of views had been expressed on the parameters to be applied and on how to mitigate the discontinuity experienced by countries that were moving up through the threshold of the adjustment or were just above it. With respect to the exchange rates used to convert economic data to United States dollars, there was general support for the use of market exchange rates (MERs) except in the cases outlined in paragraph 81 of the report of the Committee on Contributions. In reply to the representative of Cuba, who had referred to General Assembly resolution 46/221 B in that connection, he recalled that the Committee on Contributions had concluded that its approach was consistent with that resolution. Thus, the Fifth Committee's comments reflected many of the same convergences and disagreements that were implicit in the proposals included in General Assembly resolution 54/237 D, paragraph 4.

26. As a number of delegations had expressed disappointment that the Committee on Contributions had been unable to agree on all aspects of the data underlying the 12 machine scales annexed to its report, he wished to clarify the issues of concern. The United Nations Statistics Division provided the Committee with information on Member States' national income, population, external debt and exchange rates in relation to the United States dollar. The GNP data which it provided was compiled from its national accounts database, which, in turn, was derived from the replies to its annual national accounts questionnaire. Other sources of information, and, in some cases, estimates, were used for Member States or years that were not included in the database. The Division strove to ensure that all the information and estimates used were as reliable, verifiable and comparable as possible,

pursuant to General Assembly resolution 48/223 C. However, the quality of the data varied according to the situation and resources of the Member States that provided it.

27. Some delegations had mentioned the need for greater transparency in the work of the Committee on Contributions. At the fifty-second session of the General Assembly, it had been suggested in the Fifth Committee that the Committee on Contributions should include, as annexes to its reports, all the data and mathematical formulas it had used for each country and at each stage of its calculations. However, the inclusion of all that information in the Committee's report would have increased its length to over 600 pages. Moreover, the information provided by Member States for the database which the Statistics Division compiled especially for the Committee on Contributions had traditionally been considered confidential, although each Member State's own data were available to it upon request. Thus, the Committee on Contributions had had to decide what information should be annexed to its reports; however, the Fifth Committee could specifically request the inclusion of any further information which it considered necessary. Pursuant to General Assembly resolution 46/221 C, the Committee on Contributions held information meetings with Member States which wished to provide additional information to it directly.

28. With respect to conversion rates, the members of the Committee on Contributions had not reached full agreement on what constituted "excessive fluctuations or distortions" resulting from the use of MERs, as indicated in chapter V, section E.4, of the Committee's report. As indicated in paragraph 87 of the report, the Committee had concluded that the new approach suggested by the Secretariat, although promising, should not be used in the next scale of assessments. Paragraph 96 listed the countries in respect of which the Committee had agreed to replace MERs because of disparities between rates of inflation and changes in exchange rates. Some Committee members, however, had felt that the list was too restrictive and that further adjustments were needed. The representative of one of the countries listed, Kyrgyzstan, had questioned the decision to use price-adjusted rates of exchange (PAREs) in converting her country's economic data. That decision had been taken because Kyrgyzstan's currency depreciation rate had significantly exceeded its inflation rate during the period considered. The representative of Venezuela, for its part, had questioned the Committee's decision not to replace MERs in its case. He assured both delegations that the Committee had taken its decisions only after an exhaustive examination of their economic indicators.

29. With respect to measures to encourage the timely, full and unconditional payment of assessed contributions (chap. III), he hoped that the Fifth Committee would provide guidance for further consideration of the issue by the Committee on Contributions. With respect to the machine scales annexed to the report, the increases shown in the assessment rates for the Syrian Arab Republic reflected the complete elimination of the scheme of limits in most of the machine scales. The inclusion of Yugoslavia in the machine scales reflected the General Assembly's decisions on earlier scales; since the issue was not within the competence of the Committee on Contributions, any change in the practice would have to be decided upon by the Assembly. He welcomed the interest expressed in the idea of holding a seminar on the scale methodology for the benefit of Fifth Committee members. Lastly, he was pleased to announce that, in the past few days, Chad and Dominica had made sufficient payments to the Organization to avoid the application of Article 19 of the Charter.

Organization of work

30. **The Chairman** drew attention to the revised version of the Fifth Committee's proposed programme of work for the following week.

31. **Ms. Buergo Rodríguez** (Cuba) said that, since no formal meetings had been scheduled for the following week and considerable free time was available, the Secretariat should determine whether any of the reports which had not yet been issued could be introduced the following week, and adjust the programme accordingly.

32. **Mr. Nakkari** (Syrian Arab Republic) said that the Committee might wish to begin its consideration of the medium-term plan and human resources issues the following week.

33. **Mr. El Gammal** (Egypt) said he was concerned to note that the Committee was to use just over half the time available to it the following week. To ensure that the Committee would not have to hold night meetings later in the session, the Bureau should fill the time slots

available, considering the many high-priority agenda items to be discussed by the Committee.

34. **Mr. Yussuf** (United Republic of Tanzania) suggested that the informal consultations on agenda item 153 scheduled for 10 October should be held in the morning instead of the afternoon and that informal consultations on the scale of assessments for peacekeeping operations, under agenda item 169, should begin the following week.

35. **Mr. Acakpo-Satchivi** (Secretary of the Committee) said that many of the documents to be considered by the Committee, such as those on procurement and human resources issues, had not yet been received from the Advisory Committee on Administrative and Budgetary Questions. Moreover, since the Fifth Committee had decided that it should give priority to the regular budget scale because its decisions thereon would have an impact on its work concerning the peacekeeping scale, the informal consultations on the peacekeeping scale which had previously been scheduled for the following week had been postponed. The Committee could not begin its consideration of the medium-term plan the following week because all the other Main Committees must first consider the programmes of the plan that related to their work, in accordance with the relevant General Assembly resolutions. Lastly, the informal consultations on agenda item 153 could not be held in the morning of 10 October because the coordinator for that item would not be available at that time.

36. **Mr. Nakkari** (Syrian Arab Republic) said he regretted that the Committee's work was once again being hampered by the late issuance of documentation. To ensure that the Committee would have time later in the session to consider the priority items on the agenda within normal working hours, it should use the time available the following week to discuss items that had been deferred from the fifty-fourth session.

37. **Mr. Fox** (Australia) recalled that, at the Committee's seventh meeting, his delegation had expressed a preference for beginning the informal consultations on agenda item 169 as soon as possible. He hoped that those consultations could begin the following week.

38. **Ms. Nossel** (United States of America) supported the proposal made by the representative of Australia.

39. **Mr. Yussuf** (United Republic of Tanzania) said that he was not satisfied with the explanation given as to the scheduling of informal consultations on agenda item 153. The Committee must be able to conduct its work as it saw fit. If the coordinator for that item would not be available in the morning of 10 October, someone else should coordinate the discussions.

40. **Mr. Zhou Qiangwu** (China) said that he supported the priorities which the Secretariat had suggested for the following week. However, if any changes were introduced, the Committee should be so informed as soon as possible.

41. **Mr. Hamidullah** (Bangladesh) said that, in order to obviate the need for night meetings later in the session, the Committee should make better use of the time available the following week. It might be useful to revert to the original plan of holding informal consultations on agenda item 169.

42. **The Chairman** said that a newly revised programme of work would be distributed at the Committee's next meeting.

The meeting rose at noon.